The California Coastal Management Agencies
California Coastal Commission
California State Coastal Conservancy
San Francisco Bay Conservation and Development Commission

January 10, 2019

The Honorable Gavin Newsom
c/o State Capitol, Suite 1173
Sacramento, CA 95814

Dear Governor Newsom:

Please accept this letter as a formal request for your new Administration to begin a policy discussion concerning the need for geographically disparate pay structures for state employees located throughout the State of California. As you know, the federal government instituted such a structure formally after the passage of legislation in 1990.

As the leaders of California's federally-certified Coastal Zone Management agencies located in San Francisco and Oakland, we see and feel the ramifications of the State's pay scales on a daily basis. As you well know, the Bay Area leapfrogged over New York City a few years ago to become the most expensive place to live in the United States. The Los Angeles, Orange County, and San Diego areas are among the ten most expensive areas in the Nation, as well.

As a result, each of our departments struggles to attract and retain the talent required by the State to implement its authorities. This strain is evident at all levels within our departments for administrative, technical, and professional staff alike. Hiring competent and diverse high-potential individuals for entry level positions becomes more difficult every year. And, as for keeping them, local and regional government salaries are well above the State's, which provides a huge incentive for State-trained talent to leave while retaining their enrollment in PERS. Attached to this letter is a short report prepared by the Coastal Commission and BCDC recently that provides context in which this issue can be examined.

Knowing that this issue is of statewide importance, we strongly urge you to convene a diverse statewide group of private sector and nonprofit leaders to work with leaders of the Executive Branch to confirm these challenges, determine policy options available to the State, and make a series of recommendations to lessen the impacts that are faced by state employees who live in high-cost metropolitan areas. We are ready and willing to help you in this effort.

We look forward to hearing from you at your earliest convenience. Please do not hesitate to contact any of our agencies' Executive Directors with any questions or concerns that you may have.

Sincerely,

R. ZACHARY WASSERMAN Chair
San Francisco Bay Conservation
and Development Commission

DOUGLAS BOSCO Chair
California State
Coastal Conservancy

DAYNA BOCHCO, Chair
California Coastal Commission

cc: Adria Jenkins-Jones, CalHR Acting Director

bcdc

Coastal
Conservancy

CALIFORNIA
COASTAL
COMMISSION

GEOGRAPHIC PAY (GEOPAY) FOR CALIFORNIA STATE EMPLOYEES

As reported by the Society of Human Resource Management (SHRM) summary results from the Culpepper Geographic Pay Differential Practices Survey indicate how companies use geographic pay differentials to create pay scales and administer differences in pay among various regions. In the survey 86% of large companies with over 10,000 employees utilize geographic pay differentials. Companies used either cost of labor, cost of living data, or both cost of labor and cost of living data to formulate their geographic differentials. Per SHRM, "Geographic location is the prevalent factor influencing market pay rates…" Source: http://www.shrm.org/hrdisciplines/compensation/articles/pages/beyondmsas.aspx

CALIFORNIA REGIONS

Housing, taxes, and other costs vary across California. Similarly salaries should reflect the prevailing competitive wages for comparable public sector positions and cost of living in each region. The State has recognized and awarded geographic differential pay for some specific classifications in the current and prior collective bargaining contracts. The State's Per Diem rate for short-term lodging also reflects geographic cost differences. A pay differential adjustment is needed to reflect a fair and equitable system based upon specific geographic work location and should be inclusive of all classifications. A quarter of a century ago the federal government addressed regional pay via an Act of Congress. Additionally, the states of Alaska, New York, Virginia, and Washington provide geographic pay. See the eight tables below for information pertaining to geographic differentials in California.

PURCHASING POWER CALCULATOR: Table 1 below lists what salary is needed to maintain the same purchasing power in different California cities. For comparison purposes the cost of living calculator determines what salary would be needed in those areas to maintain the same purchasing power as say an individual earning $50,000 a year based in Sacramento. Source: http://inflationdata.com/inflation/Cost_of_Living/Cost_of_Living_Calculator.asp

TABLE 1
Data compiled July 2015.

City/Area	Comparable Salary $	Difference $	% more needed than Sacramento for equivalent standard of living.
Oakland	61285	11285	22.57
San Francisco	72525	22525	45.05
San Jose	66236	16236	32.47
Long Beach	59099	9099	18.20
Los Angeles	59099	9099	18.20
Orange County	64228	14228	28.46
San Diego	59144	9144	18.29

(Data by C2ER) About C2ER: https://www.c2er.org/about/

TABLE 2
DPA's Total Compensation Survey-April 2006 divided California into the 5 regions below.

Region I	Sacramento / Northern California
Region II	Bay Area
Region III	Central Valley
Region IV	Los Angeles
Region V	San Diego / Southern California

Attachment 2

TABLE 3
The State's Per Diem rate for short-term lodging also reflects geographic cost differences (for SEIU, CAHP, and Excluded Employees). As of September 1, 2013.

County\City	Amount	% above Base & Sacramento
Base = All Counties\Cities located in California (except as noted below)	Up to $90	
Napa, Riverside, and Sacramento Counties	Up to $95	5.5% above base
Los Angeles, Orange, and Ventura Counties and Edwards AFB, excluding the City of Santa Monica	Up to $120	33% above base \ 26.3% above Sacramento
Alameda, Monterey, San Diego, San Mateo, and Santa Clara Counties	Up to $125	38.9% above base \ 31.6% above Sacramento
San Francisco County and the City of Santa Monica	Up to $150	66.6% above base \ 57.9% above Sacramento

TABLE 4
The California Budget Project's (CBP) October 2007 report entitled "Making Ends Meet: How Much Does It Cost to Raise a Family in California?" divided the state into 10 regions consisting of counties with similar costs of living (see table below). According to the report, "These regions are based on regions identified by California's Employment Development Department and the California Economic Strategy Panel, with modest modifications."

California Counties by Region	
Region	**Counties in Region**
Region I	Del Norte, Humboldt, Lake, Lassen, Mendocino, Modoc, Plumas, Sierra, Siskiyou, Trinity
Region II	Butte, Colusa, Glenn, Shasta, Sutter, Tehama, Yuba
Region III	El Dorado, Nevada, Placer, Sacramento, Yolo
Region IV	Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Santa Cruz, Solano, Sonoma
Region V	Fresno, Kern, Kings, Madera, Merced, San Joaquin, Stanislaus, Tulare
Region VI	Alpine, Amador, Calaveras, Inyo, Mariposa, Mono, Tuolumne
Region VII	Monterey, San Benito, San Luis Obispo, Santa Barbara
Region VIII	Los Angeles
Region IX	Orange, Riverside, San Bernardino, Ventura
Region X	Imperial, San Diego

See Attachment 1, Table 2 and Appendix A for a listing of the updated 2013 CBP's "Making Ends Meet" budget figures based on various counties. (Notes: CBP budgets = housing, utilities, child care, transportation, food, health care, taxes, and misc. Family consists of two children. Misc. = Clothing, laundry services, education related expenses, reading materials, personal care items, housekeeping supplies, and basic phone service, and a modest $25 a month for individuals and $35 a month for families for spending on charitable items or birthday presents or small expenditures. CBP's estimates of basic budgets don't make provisions for entertainment or allowances for "big ticket" items or significant savings.)

Culpepper and Associates a leading provider and trusted source for compensation survey market data and consulting services provides regional cost of labor data. About: http://www.culpepper.com/AboutUs/

CULPEPPER GEOGRAPHIC PAY INDEX (CGPI):

The *Culpepper Geographic Pay Index (CGPI)* is a geographic pay differential index that provides a relative comparison of the pay within a *Geographic Locale* to the national average. CGPI calculations are based on cash compensation data submitted by participating companies for employees matching specific jobs in local markets (i.e., cost-of-labor). The CGPI provides a reliable pay differential index by controlling for the unique job mix in each *Geographic Locale.* Comparisons are made between the pay for each job and the corresponding national average. The resulting values are then aggregated to produce a single CGPI score for each Locale. Locales are grouped into *Geographic Pay Zones* based on the CGPI Ranges shown in the table below. Source: http://www.culpepper.com/surveys/compensation/geography/US.asp

TABLE 5

Culpepper Geographic Pay Index (CGPI) Scores by U.S. Pay Zone *	
U.S. Pay Zone	**CGPI Range** (% of U.S. National Average)
Pay Zone 1	112%+
Pay Zone 2	103.0 to 111.9%
Pay Zone 3	98.0 to 102.9%
Pay Zone 4	92.0 to 97.9%
Pay Zone 5	< 92.0%

** Compensation levels for specific jobs in local markets can vary and be impacted by a number of other factors, including company size, industry sector, talent availability, competition, cost of living, and health of local economies.*

TABLE 6 (Comparison of California regions and their pay zones.)

U.S. Locale Data Cuts in *Culpepper Compensation Surveys* Effective: 8/3/2015	
Geographic Locale [U.S. Pay Zone]	**Geographic Region [U.S. Pay Zone]**
CA: Anaheim DIV [US 2]	Southwest [US 2]
CA: Los Angeles DIV [US 2]	Southwest [US 2]
CA: Los Angeles-Long Beach MSA [US 2]	Southwest [US 2]
CA: Oakland DIV [US 1]	Southwest [US 1]
CA: Oxnard-Ventura MSA [US 3]	Southwest [US 3]
CA: Riverside MSA [US 2]	Southwest [US 2]
CA: Sacramento MSA [US 3]	Southwest [US 3]
CA: Sacramento-Roseville CSA [US 3]	Southwest [US 3]
CA: San Diego MSA [US 2]	Southwest [US 2]
CA: San Francisco DIV [US 1]	Southwest [US 1]
CA: San Francisco-Oakland MSA [US 1]	Southwest [US 1]
CA: San Jose MSA [US 1]	Southwest [US 1]
CA: San Rafael DIV [US 1]	Southwest [US 1]
CA: Silicon Valley [US 1]	Southwest [US 1]

Source: http://www.culpepper.com/surveys/compensation/geography/USLocales.asp

FEDERAL GOVERNMENT'S LOCALITY PAY

The Federal government took action via the Federal Employees Pay Comparability Act of 1990 (FEPCA) to ensure pay parity in various regions and to establish itself as an employer of choice in order recruit and retain qualified and talented employees. Under FEPCA specified metropolitan areas are designated to receive pay adjustments based on cost of labor. Locality pay is also factored into the retirement formula.

> "In implementing the locality pay program in 1994, the Federal Salary Council considered how to define locality pay areas. After developing many alternatives, the Council recommended that the existing Metropolitan Statistical Areas (MSAs) established by the Office of Management and Budget (OMB) were suitable as the basis for defining locality pay areas. The President's Pay Agent accepted the Council's recommendation and directed the U.S. Office of Personnel Management (OPM) to define locality pay areas on the basis of OMB's definitions of metropolitan areas. Since then, the Council and Pay Agent have continued to use OMB-defined metropolitan areas as the basis for locality pay area definitions. The OMB-defined metropolitan areas now include Combined Statistical Areas (CSAs) as well as MSAs."
> Source: https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/fact-sheets/#url=Locality-Pay-Areas

TABLE 7
The Federal Government's 2016 General Schedule Locality Pay Area definitions below are tied to Metropolitan Statistical Areas (MSAs) and Combined Statistical Areas (CSAs) identified by the Office of Management and Budget (OMB). Source: https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/2016/locality-pay-area-definitions/

Federal Locality Pay for California Geographic Areas		
2016 Locality Pay Area	**% Rate Above Base**	**Counties**
Sacramento-Roseville	22.61	El Dorado, Nevada, Placer, Sacramento, Sutter, Yolo, Yuba
San Jose-San Francisco-Oakland	35.75	Alameda, Contra Costa, Marin, Monterey, Napa, San Benito, San Francisco, San Joaquin, San Mateo, Santa Clara, Santa Cruz, Solano, Sonoma
Los Angeles-Long Beach	27.65	Kern, Los Angeles, Orange, Riverside, San Bernardino, Santa Barbara, Ventura
San Diego-Carlsbad	24.73	San Diego

TABLE 8
See the regions in the table below for how much more the federal government pays its employees compared to its employees in the Sacramento area.

Federal Locality Pay 2016: Sacramento area vs. Bay Area, L.A., and S.D. regions		
Sacramento-Arden-Arcade-Yuba City, CA-NV	22.61%	
San Francisco-San Jose-Oakland	35.75%	+13.14% above Sacramento
Los Angeles-Long Beach	27.65%	+5.04% above Sacramento
San Diego-Carlsbad	24.73%	+2.12% above Sacramento

Source: https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/2016/general-schedule/

OTHER STATES WITH GEOGRAPHIC PAY

In addition to the federal government other states such as Alaska, New York, and Virginia provide for geographic pay differentials. Washington Federation of State Employees recently received a geographic pay differential in their governor's 2015-2017 compensation plan.

GEOGRAPHIC PAY (GEOPAY) WILL ADVANCE STATE AND PUBLIC INTERESTS

California is in the midst of an affordability crisis in high-cost areas that has an negative impact on State government and impairs State agencies, the condition of the Civil Service (which is embodied in the State of California's Constitution), and the quality of service provided to the public. Simultaneously, the State of California has a large percentage of its workforce that is eligible for retirement and the State will need to be a competitive employer to attract and retain high quality employees. What caliber of employees will the State attract in high-cost regions without competitive wages? Shouldn't tax payers and the public in high-cost regions receive the same level and quality of service as in less expensive regions?

State employees in high-cost regions have less disposable income, a lowered standard of living, and less ability to buy their own homes, save money, or invest in the State's supplemental retirement programs (such as the Savings Plus Program). The lack of disposable income was also a disadvantage for State employees in high-cost regions and was an obstacle for them to purchase "air time" service credit while that option was available. As a result State employees in high cost regions also have less retirement security than their counterparts in less expensive regions. During economic down turns State employees in high-cost regions are disproportionately impacted as they do not have as much disposable income to save as their counterparts in low cost regions. For example, during the furloughs State employees in high-cost regions had the cost of living to shoulder on top of pay cuts that amounted to nearly 15%.

In 2007 then Attorney General Brown made a declaration about a "Compensation Crisis" and regional differences in pay that hindered his Constitutional duties. "The Attorney General's Office today faces a compensation crisis. The "compensation disparities between my office and other public sector law offices, in regions where most of our attorneys work and live, has resulted in a de facto destruction of the merit principle as set forth in Article VII, section 1, subdivision (b). This compensation disparity also threatens the execution of my office's constitutional duty under article V, section 13 to adequately and uniformly enforce the law." (Reference: http://www.calattorneys.org/download.cfm?ID=21417) It should be noted that while examining the geographic pay issue and taking into account fair compensation for professional classifications that it should not be lost upon the examiner that it is the clerical classifications that serve as the backbone for many agencies and the clerical staff that are the most vulnerable to the affordability crisis.

According to the Secretary of the California Government Operations Agency, "In 10 years, 75% of the state workforce will be entirely made up of millennials... Currently, 80% of the state workforce is over the age of 45 and 60% are expected to leave in the next five years due to retirement. The state has no choice but to change how it recruits, develops and retains employees." (Source: Secretary Marybel Batjer's July 2015 letter to the Legislature.) A recent Pew Research Center study reported that only 26% of millennials have an interest in government\politics compared to 45% of Baby Boomers and 34% of Gen X. Uncompetitive compensation in high-cost areas leads to high turnover, recruitment costs, and vacancies. The recruitment crisis threatens the transfer of institutional knowledge at a pivotal time when the State is facing a mass exodus of its workforce due to retirements. These scenarios create a formula for a Human Resource crisis. "Workforce and succession plans provide departments the ability to forecast future workforce needs and develop strategies to ensure that they have a talented, competent workforce, and to mitigate the loss of institutional knowledge through attrition. It is particularly critical to engage in workforce and succession planning when large proportions of an organization are eligible to retire at roughly the same time, which continues to be a concern for California state government. The proportion of state employees age 50 or older has increased from 23 percent in 1988 to nearly 41 percent in 2015. Data from CalHR indicates that the average retirement age for state employees is 59 with spikes of retirements occurring at ages 50, 55, and 62. The loss of institutional knowledge is a real concern for the State..." (Source: State Auditor Elaine Howle's May 2015 report "High Risk: State Departments Need to Improve Their Workforce and Succession Planning Efforts to Mitigate the Risks of Increasing Retirements")

Other areas of concern fall under Education and Public Safety as fewer teachers and first responders can afford to live and serve in high-cost regions. Who will teach the next generation? Who will come to the rescue during natural disasters such as earthquakes and fires? The Legislature has already addressed California Association of Highway Patrolmen's (CHP) salaries with a law that bases their pay on the total compensation averages of the San Diego, San

Francisco, Los Angeles and Oakland police departments and the Los Angeles County Sheriff's Department to make CHP wages more competitive.

Another noteworthy issue is the topic of diversity in the State's workforce. While the State is pursing greater diversity it should be noted that people of color, members of the LGBT community, and women that are mothers or want to start a family are being pushed out of high-cost regions. In December 2014 the Bold Italic noted: "According to the Anti-Eviction Mapping Project, the African-American population has decreased from 15% to 12% in Alameda County and from 13% to 6% in San Francisco. The map also includes an infographic showing that the black population has decreased while the overall population of San Francisco has increased and continues to do so." And that, "Over in Alameda County, neighborhoods heavily populated by African-Americans in the 1970s included West Oakland and South Berkeley, with data showing that these areas were once 83% and 78% black, respectively. In 2010, some areas of West Oakland drop to 51% black whereas the decrease is more significant in South Berkeley, from 85% to 34% black. The data grows bleaker in 2013, showing that the same space in Berkeley now has only a 7.8% black population and only that demographic comprises only 26% of West Oakland." (Source: http://www.thebolditalic.com/articles/6504-new-map-shows-the-decline-of-sfs-black-population) In San Francisco, SF Gate reported in May 2015 that "the population of Latinos in the Mission has declined by more than 8,000 since 2000, according to Campos, a result of being evicted and priced out of the neighborhood. He told the other supervisors that his district, which includes the Mission, was in crisis." (Source: http://www.sfgate.com/bayarea/article/Campos-wants-moratorium-on-new-housing-in-the-6244209.php) An October 2014 post on DailyDot.com states, "The LGBT community has been particularly affected by San Francisco's gentrification problem, especially at the intersections of racial and class inequality. As of 2013, a full 29 percent of the City's 6,436 homeless people identify as lesbian, gay, bisexual, transgender, or queer. On Think Progress, Sacha Feinman notes that San Francisco's LGBT homelessness problem is driven by two distinct but interrelated phenomenon: First, queer people drawn to San Francisco because of its progressive reputation find themselves unable to afford shelter when they arrive and second, queer people who already live in the city are being evicted as rent and home prices soar." (Source: http://www.dailydot.com/opinion/lexington-closing-san-francisco-gay-culture/) Women who are mothers or are looking to start a family are finding themselves priced out of the Bay Area. A story in the June 27, 2015 issue of *The Chronicle*, "Families pack up as S.F. rents keep rising" indicated, "Getting an unaffordable rent increase is pretty much the same thing as getting an eviction notice..., said Sara Shortt, director of the Housing Rights Committee, a nonprofit that advocates for tenants. Her group is hearing from many families who've been priced out of their rental homes and cannot afford anything else that's for rent inside the city limits—or even a BART ride away. We hear all the time about Vacaville and Vallejo," she said. "It used to be Oakland or Berkeley, but now it's just farther and farther out." (Source: http://www.sfchronicle.com/bayarea/article/Families-pack-up-as-S-F-rents-keep-rising-6353463.php)

Will California's high-cost urban centers and high-cost coastal communities become akin to gated communities and playgrounds for only the wealthy? The March 2015 Legislative Analyst Office (LAO) report "California's High Housing Costs: Causes and Consequences" substantiates concerns in regards to high cost of housing regions when it comes to recruitment and retention, commuter fatigue, crowding in household dwellings, not having the disposable income to purchase a home, and not being able to save money which makes one vulnerable.—(Think of the furloughs and the impact 15% pay cuts had on State employees in high cost regions.) To quote the LAO report, "...households may find it more difficult to accommodate a drop in household income because they have a smaller amount of non-housing disposable income and likely have smaller available savings." It also states, "...California's housing problems warrant attention from state leaders." According to the May 2015 State Auditor's report, "One byproduct of spending a large share of one's income on housing is that personal finances may be more fragile—meaning a smaller share of a household's income is available for nonhousing goods and services, including savings. As a result, these households may find it more difficult to accommodate a drop in household income because they have a smaller amount of nonhousing disposable income and likely have smaller available savings. Homeownership helps households build wealth, requiring them to amass assets over time. Among homeowners, saving is automatic: every month, part of the mortgage payment reduces the total amount owed and thus becomes the homeowner's equity. For renters, savings requires voluntarily foregoing near-term spending. Due to this and other economic factors, renter median net worth totaled $5,400 in 2013, a small fraction of the $195,400 median homeowner's net worth. For many households in high housing cost areas, though, homeownership's benefits remain out of reach, as higher home prices (relative to area incomes) mean fewer and fewer households can afford to become homeowners." (Source: State Auditor Elaine Howle's May 2015 report "High Risk: State Departments Need to Improve Their Workforce and Succession Planning Efforts to Mitigate the Risks of Increasing Retirements") For this reason as an aspect of GeoPay State employees in high-cost areas also seek statuary protections from furloughs in the event of future downturns in the economy. As GeoPay may not entirely close the gap in standard of living between those in high-cost with less expensive regions State workers in high-cost regions seek to have the cost of labor and cost of living in their regions also taken into account and weighed proportionately to the cost of labor and cost of living in lower-cost regions in the event of future furloughs.

GeoPay would enable State employees to live closer to their work and shorten their commutes which would lower their carbon footprint and impact on climate change. According to the March 2015 Legislative Analyst Office (LAO) report "California's High Housing Costs: Causes and Consequences", "Commute times in Los Angeles, the state's largest metro, averaged 62 minutes, 12 percent longer than the U.S. average. San Francisco has the state's longest commutes—72 minutes per day—about 30 percent longer than the U.S. average."

Dire circumstances in high-cost regions prompts one to ponder if we will see less diversity in the State's workforce and a collapse of government services as public sector employees can no longer afford to reside in high cost-regions to provide services to the public.

- GeoPay will modernize California state government to reflect the 21st Century.

- GeoPay will help restore the middle-class in high-cost regions.

- GeoPay will help insulate public sector employees from being priced out of high-cost regions and thwart the collapse of public services.

- GeoPay will help the State of California in becoming an employer of choice in high-cost regions and be a tool for workforce and succession planning. It will help the State to recruit and retain employees and reduce turnover and overtime costs as well as improve the quality of service provided to the public and assist in the transition of institutional knowledge to the State's next generation of employees.

- GeoPay will facilitate diversity in the State's workforce. For example by assisting people of color, women who are looking to start a family or have children, and members of the LGBT community to reside in high-cost regions and pursue careers in State government.

- GeoPay will help shorten commutes and lessen traffic congestion and greenhouse gases if State employees can afford to work in the communities they live in or closer to home.

- GeoPay will also be a benefit for State employees in low-cost areas in the event that during the course of their lives they find themselves needing to relocate to a high-cost region making their transition easier while at the same time assisting the State in retaining employees.